

Message Text

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ACTION COME-00

INFO OCT-01 NEA-09 ISO-00 EB-07 /017 W
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P 060618Z FEB 75 ZDK
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC PRIORITY 8708
INFO AMCONSUL KARACHI
AMCONSUL LAHORE

C O N F I D E N T I A L ISLAMABAD 1117

PASS USDOC PRIORITY

E.O. 11652: GDS
TAGS: BEXP, MASS, PK
SUBJECT: SALES POSSIBILITIES FOR CESSNA

REF: LAHORE 119 (NOTAL)

BEGIN UNCLASSIFIED

1. SUMMARY. THIS REPORTS A POTENTIAL MAJOR TRADE OPPORTUNITY IN LIGHT AIRCRAFT SALES. LAHORE REPORTED IN REFTEL CONVERSATIONS WITH PAK REP OF CESSNA AIRCRAFT CONCERNING POTENTIAL FOR CESSNA TO PICK UP PIECES OF GOP DEAL WITH SAAB OF SWEDEN, WHICH APPEARS TO BE COMING APART, TO BUILD ASSEMBLY FACILITY IN PAKISTAN FOR INITIALLY 155 AIRCRAFT. PARTIAL TEXT OF REFTEL FOLLOWS WITH EMBASSY COMMENTS APPENDED. END SUMMARY. END UNCLASSIFIED.

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2. A. IRSHAD ULLAH KHAN, CHAIRMAN OF ZAMINOS LTD. OF LAHORE AND PAKISTAN REP FOR CESSNA AIRCRAFT CO., CALLED ON DPO FEBRUARY 1 WITH URGENT REQUEST FOR ASSISTANCE IN ARRANGING SALES OF CIVILIAN CESSNA PLANES IN PAKISTAN. HE BEGAN BY SAYING HE HAD LEARNED PM BHUTTO HAD ORDERED INQUIRY INTO GOP DEAL WITH SAAB OF SWEDEN. KHAN BELIEVED INQUIRY WOULD EFFECTIVELY STOP SAAB DEAL, AND HOPED
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CESSNA WOULD QUICKLY STEP INTO BREACH WITH OFFER TO BUILD

ASSEMBLY LINE IN PAKISTAN UNDER LICENSING AGREEMENT ALONG LINES OF SAAB'S AGREEMENT. HE SHOWED DPO COPY OF TELEGRAM FROM CESSNA VICE PRESIDENT FOR MILITARY SALES FRYE TO BHUTTO REQUESTING APPOINTMENT FOR TOP CESSNA OFFICIALS DURING PM'S VISIT TO US.

B. KHAN SAID GOP WANTS TO BUILD 200 CESSNA U-17B'S OR T-41D'S, AND ASSERTED THAT LONG-RANGE GOP PLANS CALLED FOR TOTAL OF 800 SUCH AIRCRAFT. HE CONTENDED THIS WOULD MEAN IMMEDIATE \$5-6 MILLION PROFIT FOR CESSNA PLUS SUBSTANTIAL CONTINUING ANNUAL ROYALTIES. ALTHOUGH NO FINISHED AIRCRAFT WOULD BE MADE IN US UNDER PROPOSED AGREEMENT, KHAN NOTED THAT FACTORY ENVISAGED BY GOP WOULD MERELY BE ASSEMBLY PLANT ALMOST ENTIRELY UTILIZING PARTS MANUFACTURED IN US. ASIDE FROM THESE CONSIDERATIONS, KHAN ARGUED THAT PROPOSAL CREATED "MAJOR POTENTIAL" FOR US FIRM WHICH WOULD FOSTER ATMOSPHERE IN WHICH US AIRCRAFT MANUFACTURERS COULD FIND LARGE CONTINUING MARKET IN PAKISTAN. MOREOVER, HE BELIEVED THAT AFTER INITIAL RUN, SIGNIFICANT PORTION OF OUTPUT FROM PROPOSED PLANT MIGHT BE EXPORTED TO NEIGHBORING COUNTRIES.

C. DPO ASKED KHAN WHAT ROLE HE SAW FOR USG, NOW OR LATER. KHAN RESPONDED THAT HE HOPED USG WOULD HELP ENCOURAGE ALL PARTIES TO MOVE AHEAD WITH PROPOSAL, BECAUSE OF OBVIOUS BENEFITS TO US ECONOMY. DPO SAID IT WAS STILL NOT CLEAR TO HIM WHAT USG COULD DO. AS KHAN HAD NOTED, CESSNA WAS ATTEMPTING TO ARRANGE FOR APPOINTMENT WITH PM BHUTTO. KHAN'S RESPONSE WAS COMPLEX BUT SEEMED TO ADD UP TO REQUEST TO USG TO INTERVENE ON HIS BEHALF WITH CESSNA CHAIRMAN DWANE WALLACE. DPO TOLD KHAN THAT UNDER CIRCUMSTANCES HE DID NOT BELIEVE USG COULD BE MUCH ASSISTANCE; NONETHELESS, WE WOULD PASS ALONG KHAN'S REQUEST IN CASE SUBJECT AROSE DURING BHUTTO VISIT.

D. ON FEBRUARY 2, DPO DISCUSSED GOP INTEREST IN CESSNA AIRCRAFT WITH SALMAN HAQUE, KHAN'S CHIEF LIEUTENANT AT ZAMINOS. HAQUE COMPLAINED ABOUT LACK OF PROFESSIONALISM ON PART OF CESSNA SALES STAFF, WHICH HE BLAMED FOR COMPANY'S INABILITY TO OBTAIN GOP CONTRACT FOR LIGHT AIRCRAFT. (HE ASSERTED GOP IS PREPARED TO PAY CASH FOR ASSEMBLY PLANT, AIRCRAFT PARTS, TECHNICAL ASSISTANCE AND LICENSING ARRANGEMENT.) END TEXT.
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3. COMMENT. KHAN IS WELL KNOWN TO EMBASSY COMMERCIAL SECTION AND ODRP. HE IS A YOUNG, VERY AMBITIOUS ENTREPRENEUR WITH GOOD RECENT SALES RECORD. HE HAS SME SALESMAN'S TENDENCY TO OVERSTATE SITUATION FROM FACTUAL BASE. EMBASSY

WITHHOLDS ASSESSMENT ON LONG-TERM BUSINESS ACUMEN TO SEE
OF KHAN FOLLOWS UP VARIOUS SALES EFFORTS WITH BUSINESS SERVICES.

4. GOP CONTRACT WITH SAAB INVOLVES INITIAL PURCHASE OF
45 AIRCRAFT WHICH CONTRACT IS COMPLETED AND NOT RENEGOTIABLE.
FOLLOW-UP OPTION SECTION OF CONTRACT PROVIDED FOR NEGOTIATION
OF AGREEMENT ON ADDITIONAL 155 AIRCRAFT WITH INCREASING PAK
ASSEMBLY AND MANUFACTURING INPUT BY STAGES. EARLY STAGES
WOULD INVOLVE INCREASING ASSEMBLY IN PAKISTAN AND LATER
SOME COMPONENT MANUFACTURE IN PAKISTAN.

5. ON PRESENT OPPORTUNITY, EMBASSY BELIEVES: (A) FOLLOW-UP
PORTION OF SAAB DEAL IS UNDER REVIEW; (B) THE GOP REQUIREMENTS
AND DESIRE REMAIN CURRENT; AND (C) IF CESSNA WISHES
TO HAVE A CHANCE AT THIS MAJOR OPPORTUNITY, IT WILL
HAVE TO MOVE FAST WITH HIGH-LEVEL CESSNA INTEREST SHOWN
IN PAKISTAN.

6. SUGGEST USDOC PASS THIS INFO TO CESSNA. AS LAHORE
MESSAGE CONTAINS INFO FROM ITS AGENT WHICH COULD ANNOY
CESSNA, USDOC SHOULD USE DISCRETION IN DISCUSSIONS WITH
CESSNA. IF CESSNA SHOWS LITTLE INTEREST IN THIS TRADE
OPPORTUNITY, USDOC MIGHT DETERMINE IF ANY OTHER US
MANUFACTURER OF EQUIVALENT AIRCRAFT WOULD BE INTERESTED.
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